



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

DIVISION OF BANKING  
SUPERVISION AND  
REGULATION

**SR 02-24**  
**December 24, 2002**

**TO THE OFFICER IN CHARGE OF SUPERVISION AND APPROPRIATE  
SUPERVISORY AND EXAMINATION STAFF AT EACH FEDERAL  
RESERVE BANK AND TO EACH DOMESTIC AND FOREIGN  
BANKING ORGANIZATION SUPERVISED BY THE FEDERAL  
RESERVE**

**SUBJECT: Suspicious Activity Report Filing Requirements for Nonbank  
Subsidiaries of Bank Holding Companies and State Member Banks**

This SR letter describes compliance with the Board's Suspicious Activity Report (SAR) filing requirements for certain nonbank subsidiaries of bank holding companies and state member banks.

Under the Board's current suspicious activity reporting rules that are set forth in Regulations H, K, and Y, state member banks and bank holding companies and their nonbank subsidiaries and the U.S. offices of foreign banking organizations supervised by the Federal Reserve must file SARs to report known or suspected violations of law and activities relating to suspected money laundering or violations of the Bank Secrecy Act (BSA).

The BSA (31 U.S.C. § 5318(g)) authorizes the U.S. Department of the Treasury to adopt suspicious activity reporting requirements for financial institutions. Since the passage of the USA PATRIOT Act, the Treasury Department has utilized this authority to adopt suspicious activity reporting requirements for securities broker-dealers. *See 67 Federal Register 44048 (July 1, 2002)*. These reporting requirements, which will become effective on January 1, 2003, will apply to all securities broker-dealers, including those that are subsidiaries of bank holding companies and state member banks, and will require reports to be filed on a new SAR-SF form. The Treasury Department also has adopted a final rule that requires certain money services businesses, such as sellers of traveler's checks and money transmitters, to file reports of suspicious activities. The Treasury Department also has proposed to impose suspicious activity reporting requirements on insurance companies (*67 Federal Register 64067 (Oct. 17, 2002)*), and these rules also will apply to insurance companies that are affiliated with a bank holding company or state member bank. Consequently, certain nonbank entities covered by the Board's SAR regulations could be subject to two separate suspicious activity reporting requirements that technically require duplicative filings.

Board staff believes that a nonbank subsidiary of a bank holding company or state member bank that is subject to suspicious activity reporting requirements imposed by a separately applicable Treasury regulation satisfies the Board's SAR filing requirements if the nonbank subsidiary files suspicious activity reports in accordance with the applicable Treasury regulation. Board staff expects that the Board's regulations will be revised in early 2003 to reflect the fact that the Treasury Department has adopted suspicious activity reporting requirements that apply (or will apply) to certain types of

nonbank subsidiaries of bank holding companies and state member banks.

Examiners conducting examinations and inspections of banking organizations that have nonbank subsidiaries that are covered by industry-specific reporting requirements adopted by the Treasury Department under 31 U.S.C. § 5318(g) should determine whether the organizations are aware of such reporting requirements. Nonbank subsidiaries of bank holding companies and state member banks that are not subject to a separately applicable Treasury rule under 31 U.S.C. § 5318(g) must continue to file reports of suspicious activities in accordance with the Board's SAR filing requirements. Each appropriate functional regulator will continue to examine the entities it supervises for compliance with the applicable laws and regulations, including SAR filing requirements.

Reserve Banks are asked to distribute this SR letter to the domestic and foreign banking organizations in their Districts that they supervise and to supervisory staff. Questions may be addressed to Carmina Hughes, Special Counsel, (202) 452-5235; Nina Nichols, Counsel, (202) 452-2961; or Pamela Johnson, Senior Anti-Money Laundering Coordinator, (202) 728-5829.

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Director